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PIPER & MARBURY

L.L.P.

1200 NINETEENTH STREET, N.W.

WASHINGTON, D.C. 20036-2430

202-861-3900

FAX: 202-223-2085

WRITER'S DIRECT NUMBER

(202) 861-6471

FAX: (202) 861-4160

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HAND DELIVERY

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

Re: Ex Parte Presentation
CC Dkt. No. 96-45

Dear Mr Caton:

Enclosed please find a copy of a written *ex parte* letter presentation of the Commercial Internet eXchange Association for inclusion in the above-referenced docket. Should you have any questions concerning this matter, please feel free to contact the undersigned.

Sincerely,


Mark J. O'Connor

Enclosures

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1200 NINETEENTH STREET, N.W.
WASHINGTON, D.C. 20036-2430
202-861-3900
FAX: 202-223-2085

RONALD L. PLESSER
202-861-3969
RPLESSER@PIPERMAR.COM

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April 22, 1997

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Federal Communications Commission
Office of Secretary

Daniel Gonzales, Esq.
Legal Advisor
Office of Commissioner Rachelle B. Chong
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, DC 20554

Dear Mr. Gonzales:

Re: Ex Parte Presentation
CC Dkt. No. 96-45

The Commercial Internet eXchange ("CIX") has prepared the attached one-page summary of its current position on the FCC's reform of the Universal Service Fund rules. CIX believes that all parties -- schools, non-carrier-based ISPs, and carriers -- can benefit from an "advanced services" subsidy that focuses on telecommunications service and that keeps the Internet access market open and competitive. Further, CIX does not object to cost-based end-user SLCs. Such broad based SLC charges are certainly more reasonable than end-user access charges directed specifically at Internet or data users.

We have recently visited with the offices of the other Commissioners to further discuss these issues. While we certainly appreciate that your schedule did not permit for us to meet in person, it is our understanding that the Sunshine Notice may provide more opportunity to meet than was anticipated. If so, we would certainly appreciate the opportunity to discuss these matters with you.

In accordance with the Commission's ex parte rules, two copies of this letter will be submitted this day to the Secretary's office.

Sincerely yours,


Ronald L. Plesser

CIX POSITION ON USE REFORM

"Advanced Service" Subsidies To Schools and Libraries Must Be Competitively Neutral

Section 254(h)(2) of the Act requires the Commission to adopt rules for "advanced services" subsidies to schools and libraries that are "*competitively neutral*." Subsidies that go for Internet access services of carrier-based ISPs only, and that exclude non-carrier based ISPs, are not competitively neutral. Instead, a carrier-based ISP subsidy would exclude the vast majority of the over 3,000 U.S. Internet access providers, and would result in significant competitive favoritism for carrier-based ISPs.

Given the current controversy over direct subsidies to enhanced service providers that do not pay into the USF, CIX believes the most appropriate implementation of Section 254(h) is to provide explicit subsidies for the underlying *telecommunications services* (e.g., T1 lines, ISDN PRI service) that facilitate the offering of Internet access services. The Internet access service of the telecommunications carrier (or any other information service), however, should not be subsidized. To maintain "competitive neutrality," the Commission should ensure that all ISPs are able to offer their competitive information services via the discounted telecommunications service.

In this way, the schools benefit from the discount on telecommunications service, and the benefit of choosing from a host of competitive prices and services offered from the full range of Internet access providers, both carrier-based and non-carrier-based. Non-carrier-based ISPs also benefit with the opportunity to compete for customers in the schools and libraries market, and the telecommunications carrier is able to obtain USF support for the provision of the underlying telecommunications service.

Cost-Based and Fair Reform of Subscriber Line Charge Caps

As end-users of the PSTN, Internet providers accept that they must pay a reasonable portion of the costs to support local exchange services. Proposed increases to the multi-line business and second-line residential SLC caps will significantly impact Internet providers, and must only be implemented if such increases are cost-justified. However, cost-based increases to the SLC caps may be reasonable as the Commission takes on the complex task of reforming the access charge regime.

Moreover, broad-based access charges applied to all end-users, such as the SLC, are more tolerable than access charges that are specifically targeted at the Internet access industry or data users. Thus, a virtual-channel SLC charge (which would inhibit deployment of ISDN service) and usage-based Internet charges for access to the PSTN are not reasonable and unfairly allocate local exchange costs on ISPs and Internet users.